

taxBlitz

Tax & Customs Update

Reduction or Annulment of Administrative Sanction without Prior Application

Directorate General of Taxes (DGT) may reduce and annul administrative sanction upon late submission of tax return, tax return revision, and late tax settlement, without any prior application by taxpayers.

That authority is aimed at simplifying administrative process related to reduction or elimination of administrative sanction.

The provision is stipulated in Minister of Finance Regulation (PMK) Number 68 Year 2017 on Reduction or Annulment of Administrative Sanction upon Late Submission of Tax Return, Tax Return Revision, and Late Tax Settlement. It is an amendment to PMK Number 91 Year 2015.

The changes cover three previous articles and four additional articles. One of which asserts the DGT's additional authority in reducing and annulling administrative sanction caused by unintentionality, and not by mistake committed by taxpayers.

Previously, DGT's authority only allowed reduction and annulment of sanction upon prior application by taxpayers. However, under the new regulation, DGT may give reduction and annulment of administrative sanction ex officio (by virtue of their position).

The ex officio reduction and annulment of sanction can be implemented to tax collection letter issued under the following three conditions:

- a. If after the issuance of decision letter on reduction and annulment of administrative sanction, there is still administrative sanction which is not reduced yet,
- b. If the application for reduction or annulment filed by taxpayers has been returned, and
- c. If there is tax collection letter upon which application for reduction or annulment of administrative sanction has not been filed.

The ex officio reduction and annulment of administrative sanction can also be conducted notwithstanding the fact that the taxpayers have not paid or only partly paid the tax bill. Even when the administrative sanction is deemed paid by reducing it from the tax overpayment, the DGT will consider it as unpaid, thus it enables the conduct of ex officio reduction or annulment.

Further, the reduction or annulment of sanction can also be conducted without any tax collection letter. The reduction or annulment will be conducted by Director of Objection and Appeal on behalf of Director General of Taxes.

Collection Deferral

Government will defer all tax collection processes conducted based on tax collection letter, issued pursuant to the lateness or the tax underpayment, until the issuance of decision letter on the reduction or the annulment of sanction. On the previous regulation, the deferral was conducted when the taxpayers submitted application for reduction or annulment of sanction.

The administrative sanction that can be reduced or annulled covers sanctions arising from the following four matters:

- a. Late submission of Annual Income Tax Return for 2014 and prior years, submitted in 2015;
- b. Revision for Annual Income Tax Return for 2014 and prior years and Periodic Tax Return for 2014 that has caused bigger tax payable. It is under a circumstance that the revision and the settlement upon the underpayment were conducted in 2015;
- c. Late payment of tax payable underpayment upon Annual Tax Return, as long as the Annual Tax Return submission and the settlement upon the underpayment were conducted in 2015; and
- d. Late settlement of tax payable pursuant to Periodic Tax Return for the period of December 2014, as long as the Tax Return submission and the settlement were conducted in 2015.

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